

PAYWARD LTD

CRYPTO ASSET RISK DISCLOSURE

ENS

Ethereum Name Service (ENS)

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Disclaimer

Please note that this risk disclosure is not exhaustive of all risks associated with trading ENS. Investors should perform their own assessment to determine the appropriate level of risk for their personal circumstances. Be sure to do your own research and due diligence while taking into account your own financial situation and risk tolerance. Please review the [Risk Summary](#) for additional discussion of general risks associated with the assets made available in the platform. These materials are for general information purposes only and are not investment advice or a recommendation or solicitation to buy, sell or hold any crypto asset or to engage in any specific trading strategy. The information contained in this risk disclosure is based on publicly available information that may be inaccurate, incomplete, or change at any time.

What is Ethereum Name Service (ENS) and how does it work?

Ethereum Name Service (ENS) is an open-source, domain-naming protocol deployed on Ethereum that maps machine-readable identifiers (such as 0x-style Ethereum addresses, hashes, or metadata) to human-readable .eth names. The protocol is structured as a hierarchy of smart contracts: a root, top-level domains (TLDs), and second-level domains. Users register names on a first-come, first-served basis and pay annual rent in ETH; names function as non-fungible tokens (NFTs) that can be transferred or traded.

Under the hood, ENS relies on two core smart-contract components. A registry records ownership and resolver addresses for each name, while resolvers return the resource (for example, a wallet address, content hash, or text record) associated with that name. The project supports reverse resolution (an address → name lookup) and arbitrary key/value text records, making ENS domains usable for web-site hosting and on-chain identity. Governance of protocol parameters—such as pricing and grant funding—resides in a decentralized autonomous organization (ENS DAO) controlled by holders of the ENS ERC-20 token, each token representing one vote.

Who is behind the project?

ENS was launched in May 2017 by lead developer Nick Johnson with early contributions from Alex Van de Sande while both were working within the Ethereum Foundation. Ongoing development and legal stewardship are now carried out by True Names Ltd., a non-profit incorporated in 2018. Day-to-day protocol upgrades and community grants are governed on-chain through the ENS DAO.

Tokenomics of ENS

Ethereum Name Service follows a capped-supply, Bitcoin-style emission schedule. Percentages refer to the maximum supply of 210.7 million ENS as of August 12 2025.

Category	Percentage
User airdrop	25 %
Core contributors	25 %
DAO treasury	50 %

Circulating supply is **≈ 33 million ENS** (about one-third of max supply).

General Risks

Like all other digital assets, there are some general risks to investing in PRO. These include short history risk, volatility risk, liquidity risk, demand risk, forking risk, code defects, cryptography risk, regulatory risk, concentration risk, electronic trading risk and cyber security risk. For more information on general risks associated with smart contracts and digital assets, see Kraken's Risk Statement.

Risks specific to Ethereum Name Service (ENS)

Competition

The Ethereum Name Service network faces competition from other cryptocurrencies such as Unstoppable Domains, Handshake, and many others. Ethereum Name Service's value derives from its broader adoption in the market. If the Ethereum Name Service network fails to achieve sufficient adoption compared to other options, this could negatively impact the value of ENS.

Developer Dependence

While there are many developers who contribute to Ethereum Name Service, there are no guarantees they will continue to contribute. ENS, Ethereum Name Service's native asset, could be negatively affected by an inability to retain and/or attract developers to keep up with market needs and improve its naming infrastructure when necessary.

Due Diligence

Prior to listing on the Kraken platform, Kraken performed due diligence on ENS and determined that Kraken was permitted to make ENS available for trading to UK users, in compliance with UK law. This process generally consists of reviewing publicly available information on the following:

- The creation, governance, usage and design of ENS, including the source code, security and roadmap for growth in the developer community and, if available, the background of the developer(s) that created ENS;
- The supply, demand, maturity, utility and liquidity of ENS;
- Material technical risks associated with ENS, including any code defects, security breaches and other threats concerning ENS and its supporting blockchain (such as the susceptibility to hacking and impact of forking), or the practices and protocols that apply to them; and
- Legal and regulatory risks associated with ENS, including (i) any pending, potential, or prior civil, regulatory, criminal, or enforcement action relating to the issuance, distribution, or use of ENS, and (ii) consideration of statements made by any regulators or securities regulatory authorities in the UK, other regulators of the International Organization of Securities Commissions, or the regulator with the most significant connection to ENS about whether ENS, or generally about whether the type of crypto asset, is a security and/or derivative.

Don't invest unless you're prepared to lose all the money you invest. This is a high-risk investment and you should not expect to be protected if something goes wrong. [Take 2 mins to learn more.](#)

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